



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 2872 (1924-B)  
September 27, 1993

SUBJECT: Borrowers Who Bought Out at Net Recovery Value and  
Subsequently Apply for Farmer Programs Direct  
Loan Assistance

TO: State Directors, District Directors, and  
County Supervisors

ATTN: Farmer Programs Chiefs and Underwriting Staffs

PURPOSE/INTENDED OUTCOME:

The purpose of this AN is to ensure that the subject loans are based on realistic and consistent plans. The intended outcome is to prevent the improper extension of Farmer Programs direct loan assistance to former direct borrowers who bought out at the net recovery value.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN 2581(1924), dated July 13, 1992, which expired July 31, 1993.

IMPLEMENTATION RESPONSIBILITIES:

OIG found numerous cases where a borrower's plan, which resulted in the buyout offer, had overstated expenses and understated income. The same borrower's plan for a direct loan, which was made simultaneously or subsequent to the buyout, understated expenses and overstated income in order to project a positive cash flow.

Therefore, when a direct loan application involves a former FmHA borrower who bought out at the net recovery value, County Supervisors must ensure that the proposed plan of operation is, in fact, feasible. The plan for the subsequent loan must be consistent with the plan used for final disposition under FmHA Instruction 1951-S, or any discrepancy between the plans resolved before approval of the subsequent loan.

EXPIRATION DATE: September 30, 1994

FILING INSTRUCTIONS:  
Preceding FmHA  
Instruction 1924-B



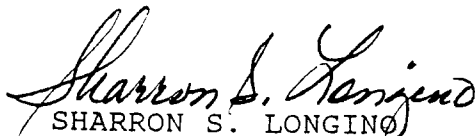
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Secretary of Agriculture, Washington, D.C. 20250

The State Directors or their designee must review all applications of this type prior to approval, and document in the applicant's case file that the decision to provide credit to the net recovery buyout borrower is proper and factually supported.

All subsequent direct loans closed to these borrowers will continue to be reviewed at the National Office at the time of the State's regularly scheduled Coordinated Assessment Review (CAR). The review findings will be included as a separate section of the CAR report.

If there are questions, State Office personnel may contact the Farmer Programs Loan Making Division, Direct Loan Branch at (202) 720-1638. County and District personnel should contact the appropriate State Office personnel.

This AN may not be revised and reissued by State Directors without prior written approval by the Assistant Administrator, Farmer Programs, unless modification is necessary to comply with State law.

  
SHARRON S. LONGINO  
Acting Administrator